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BEFORE THE
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

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WASHINGTON, D.C.
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Application of

BOSTON-MAINE AIRWAYS CORP.

for issuance of an amended certificate of public
convenience and necessity pursuant to 49 U.S.C. § 41102
(Interstate Large-Aircraft Operations)

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: Docket OST-00-7668-77
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**SUPPLEMENT NO. 15 TO
APPLICATION OF
BOSTON-MAINE AIRWAYS CORP.
FOR AMENDED CERTIFICATE AUTHORITY**

Communications with respect to this document should be sent to:

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General Counsel
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Attorneys for
BOSTON-MAINE AIRWAYS CORP.

August 2, 2005

BEFORE THE
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

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August 2, 2005

**SUPPLEMENT NO. 15 TO
APPLICATION OF
BOSTON-MAINE AIRWAYS CORP.
FOR AMENDED CERTIFICATE AUTHORITY**

Boston-Maine Airways Corp., d/b/a Pan Am Clipper Connection ("BMAC") hereby submits this Supplement No. 15 to the captioned application for the purpose of furnishing certain corrected and updated financial fitness information and exhibits to the Department in connection with BMAC's pending application in this proceeding for authority to operate four (4) additional B-727-200 aircraft in scheduled and charter services in interstate and foreign air transportation. The information and documents contained in this Supplement No. 15 are being adopted by reference and filed contemporaneously as Supplement No. 9 in Docket OST-03-14985.

The necessity for the submission of the new financial fitness information contained in this Supplement No. 15 has arisen out of BMAC's discovery, on and shortly after July 22,

2005, of substantial irregularities compromising the accuracy of certain critical financial statements submitted by BMAC to the Department in Supplement No. 13, filed in this proceeding on April 5, 2005, and in Supplement No. 14, filed on May 2, 2005. Specifically, the compromised information was contained in: (1) BMAC's purported Balance Sheet as of March 31, 2005, set forth in Exhibit BMA-S/13-103, and referred to at pages 4-5, of Supplement No. 13, and (2) a purported facsimile copy of BMAC's April 1, 2005 statement of account with the Mellon Bank of Pittsburgh, Pennsylvania, set forth in Exhibit BMA-S/14-102, and referred to at pages 3-4, of Supplement No. 14.

A detailed and verified explanation of the cause of the foregoing irregularities, and other relevant related facts, is contained in a letter dated July 26, 2005, and filed in this Docket on July 27, 2005, from Robert B. Culliford, Senior Vice President and General Counsel of BMAC to William M. Bertram, Chief of the Department's Air Carrier Fitness Division.

BMAC respectfully submits that the financial and other information contained in this Supplement No. 15, which is verified by the Title 18 Certifications of BMAC's Chief Financial Officer, Mr. Eric H. Lawler, and BMAC's General Counsel, Mr. Culliford, presents an accurate and complete statement of BMAC's current financial condition and its available working capital resources, as described below.

1. Current BMAC Financial Reports

A copy of BMAC's Balance Sheet as of June 30, 2005 is set forth in Exhibit BMA-S/15-100, infra. A copy of BMAC's current statement of account with the Bank of

America as of June 30, 2005 is contained in Exhibit S/15-101, infra. BMAC no longer maintains an account with the Mellon Bank of Pittsburgh.

2. B-727-200 Aircraft Forecast Traffic, Revenue and Expense Projections

BMAC has carefully reviewed and hereby re-confirms the accuracy and/or reasonableness of, its prior detailed traffic and revenue projections, operating statistics, and forecast load factors, broken down between scheduled and charter operations, and detailed projections of all direct and indirect operating expenses, and profit/loss projections for the 12-month period between April 1, 2005 and March 31, 2006, all broken down to show that data separately for: (1) BMAC's current 3-aircraft B-727-200 fleet, (2) BMAC's 4th B-727-200 aircraft, and (3) BMAC's planned future 5th, 6th, and 7th B-727-200 aircraft, as previously submitted to the Department in Exhibit BMA-S/13-105, attached to Supplement No. 13, filed on April 5, 2005.

3. Pre-Operating Expense Projection

BMAC has recalculated the remaining unpaid and projected pre-operating expenses relating to the addition of the 4th, 5th, 6th, and 7th B-727-200 aircraft to its current three-aircraft B-727 fleet. BMAC projects that those additional pre-operating expenses will amount to a total of \$535,190 (Exhibit BMA-S/15-102, infra).

4. Working Capital Requirement

BMAC had previously projected that the total first-year operating expenses incurred by the operation of its 4th through 7th additional B-727 aircraft would amount to a total of \$19,091,380, of which 25 percent amounts to \$4,772,845 (Exhibits BMA-S/13-105 and 106).

Accordingly, BMAC's total working capital requirement associated with the addition of four new B-727-200 aircraft to its fleet under the Department's financial fitness test, with the inclusion of unpaid remaining pre-operating expenses of \$535,190, amounts to a total working capital requirement of \$5,308,035, as shown in Exhibit BMA-S/15-103, infra.

Evidence that BMAC possesses working capital reserves on hand or available to it in an amount sufficient to exceed its total projected working capital requirement associated with operation of its proposed four additional B-727-200 aircraft during the first full year of operations of those four aircraft is contained in Exhibits BMA-S/15-104 through BMA-S/15-107, infra.¹ Exhibit BMA-S/15-104 contains a copy of a letter dated August 1, 2005 from Mr. David A. Fink, who is Chief Executive Officer of BMAC's affiliated company, Springfield Terminal Railway Company ("Springfield Terminal"), to Mr. Eric H. Lawler, BMAC's Chief Financial Officer, confirming the willingness and ability of Springfield Terminal to lend up to a total of \$7.2 million to BMAC, on request by BMAC from time to time during the term of the Credit Line Agreement described below. A copy of a corporate organization chart depicting the relationship between BMAC and Springfield Terminal, both of which are subsidiaries of Pan Am Systems, Inc. ("PAS"), is set forth in Exhibit BMA-S/15-105, infra.

As stated in Mr. Fink's letter, that standby working capital commitment, and its specific terms and conditions, has been formalized in a Credit Line Agreement between

¹ BMAC's Balance Sheet as of June 30, 2005 (Exhibit BMA-S/15-100), reflects an excess of current liabilities over current assets, which results in negative net working capital on hand of \$1,796,537. That deficit, in turn, increases the amount of working capital which BMAC must secure from other sources.

Springfield Terminal and BMAC, executed by both companies on August 1, 2005. A copy of that Agreement is contained in Exhibit BMA-S/15-106, infra. Copies of the December 31, 2003, December 31, 2004, and June 30, 2005 Balance Sheets of Springfield Terminal, demonstrating the financial ability of Springfield Terminal to fulfill the foregoing standby working capital commitment, are contained in Exhibit BMA-S/15-107, filed separately and concurrently under seal, together with a Rule 12 Motion requesting that those confidential financial statements be withheld from public disclosure.

As summarized in Exhibit BMA-S/15-103, the total of \$5,403,463 in net working capital on hand and available to BMAC exceeds BMAC's total working capital requirement relating to the addition of four additional B-727-200 aircraft to its current fleet of large and small aircraft, amounting to \$5,308,035, by a surplus of \$95,428.

5. Verification.

Two Title 18 Certifications in the form specified in 14 CFR Part 204.3(v), verifying the accuracy and completeness of the information contained in this Supplement and executed by two duly authorized officers of BMAC, are set forth in Exhibits BMA-S/15-108 and BMA-S/15-109, infra.

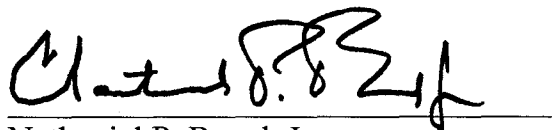
Request for Issuance of Expedited Additional Large-Aircraft Authority

BMAC submits that the foregoing information and attached documents, and other fitness evidence filed previously in this proceeding, constitute a complete demonstration of the fitness of BMAC to operate a total of four (4) additional B-727-200 aircraft pursuant to its current Interstate Certificate and its anticipated Foreign Certificate. Accordingly, BMAC

respectfully requests the Department to issue: (1) an immediate Exemption authorizing BMAC to operate a 4th B-727-200 aircraft, as applied for in BMAC's Emergency Exemption Application filed in this proceeding on March 24, 2005, which aircraft has already been approved by the Federal Aviation Administration ("FAA"), and (2) to issue an amended Interstate Certificate of Public Convenience and Necessity to BMAC and a new Foreign Certificate of Public Convenience and Necessity to BMAC, authorizing BMAC to provide scheduled interstate and foreign air transportation, utilizing up to seven (7) large aircraft.

WHEREFORE, BMAC requests the Department to issue: (1) a Notice of Action Taken granting an immediate exemption to BMAC authorizing BMAC to operate a 4th B-727-200 aircraft in interstate scheduled-service operations, effective on or before August 22, 2005, and (2) an amended Interstate Certificate of Public Convenience and Necessity and a new Foreign Certificate of Public Convenience and Necessity, authorizing BMAC to provide interstate and foreign air transportation of persons, property and mail, utilizing up to seven (7) large aircraft, in addition to its existing fleet of small aircraft, as requested in this proceeding and BMAC's pending concurrent application in Docket OST-03-14985.

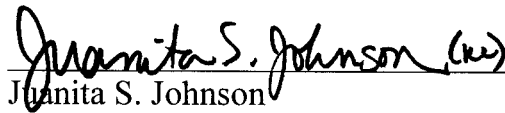
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Nathaniel P. Breed, Jr.", written over a horizontal line.

Nathaniel P. Breed, Jr.
ZUCKERT SCOUTT & RASENBERGER L.L.P.
Attorneys for
BOSTON-MAINE AIRWAYS CORP.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing Supplement No. 15 to Application of Boston-Maine Airways Corp. by messenger, telecopier transmission, or United States mail, properly addressed and with postage prepaid, upon each of the persons listed in the Service List attached hereto.



Juanita S. Johnson

Washington, D.C.
August 2, 2005

SERVICE LIST (Boston-Maine Airways Interstate)

Mr. Michael C. Thomas, Manager
Flight Standards District Office No. 29
FEDERAL AVIATION ADMINISTRATION
8600 NW 36th Street – Suite 201
Miami, FL 33166

Jerry D. Anker
Russell Bailey
AIR LINE PILOTS ASSOCIATION
1625 Massachusetts Avenue, N.W.
Washington, DC 20036

Please also serve responsive pleadings on:

Robert B. Culliford
Senior Vice President and
General Counsel
BOSTON-MAINE AIRWAYS CORP.
Pease International Tradeport
14 Aviation Avenue
Portsmouth, NH 03801

Nathaniel P. Breed, Jr.
ZUCKERT SCOUTT & RASENBERGER LLP
888 17th Street NW Suite 700
Washington DC 20006-3309

BOSTON-MAINE AIRWAYS CORP.
Index To Supplement No. 15 Exhibits

<u>Exhibit No.</u>	<u>Title of Exhibit</u>
BMA-S/15-100	BMAC Balance Sheet as of June 30, 2005
BMA-S/15-101	BMAC Statement of Account with the Bank of America as of June 30, 2005
BMA-S/15-102	Pre-Operating Expense Projection Relating to the Addition of Four B-727 Aircraft to BMAC's Fleet
BMA-S/15-103	BMAC Total Working Capital Requirement and Resources (DOT Financial Fitness Test Calculation)
BMA-S/15-104	Standby Working Capital Commitment Letter dated August 1, 2005
BMA-S/15-105	Pan Am Systems, Inc. Organization Chart.
BMA-S/15-106	Credit Line Agreement between Springfield Terminal Railway Company and Boston-Maine Airways Corp., dated August 1, 2005
BMA-S/15-107	Audited Balance Sheets of Springfield Terminal Railway Company as of December 31, 2003 and December 31, 2004, and unaudited Balance Sheet as of June 30, 2005 [CONFIDENTIAL – filed separately under seal]
BMA-S/15-108	Title 18 Certification of Eric H. Lawler, Senior Vice President and Chief Financial Officer
BMA-S/15-109	Title 18 Certification of Robert B. Culliford, Senior Vice President and General Counsel

BOSTON-MAINE AIRWAYS CORP.
BALANCE SHEET
SCHEDULE B-1.1 FOR GROUP I < 20M
JUNE 30, 2005

		JUNE 30, 2005
	<u>ASSETS</u>	
	CURRENT ASSETS	
Line 1	Cash and cash equivalents	\$ 1,325,445
Line 2	Notes and accts receivable (net)	1,163,826
Line 3	Other current assets	4,537,032
Line 4	Total current assets	<u>7,026,303</u>
	PROPERTY AND EQUIPMENT	
Line 5	Owned property and equipment	3,556,189
Line 6	Less: accumulated depreciation	782,612
Line 7	Prop.& equip. under capital leases	-
Line 8	Less: accumulated amortization	-
Line 9	Total property and equipment	<u>2,773,577</u>
Line 10	OTHER ASSETS	<u>2,894,526</u>
Line 11	TOTAL ASSETS	<u>\$ 12,694,406</u>
	<u>LIABILITIES</u>	
	CURRENT LIABILITIES	
Line 12	Notes and accounts payable	\$ 2,907,840
Line 13	Accrued taxes	418,851
Line 14	Other current liabilities	5,496,149
Line 15	Total current liabilities	<u>8,822,840</u>
Line 16	LONG-TERM DEBT	<u>-</u>
Line 17	OTHER LIABILITIES	<u>30,784,570</u>
Line 18	DEFERRED CREDITS	<u>-</u>
	<u>STOCKHOLDER'S EQUITY</u>	
Line 19	Preferred shares outstanding	-
Line 20	Common shares outstanding	-
Line 21	Other paid in capital	-
Line 22	Retained Earnings	(26,913,004)
Line 23	Total stockholders' equity	(26,913,004)
Line 24	Less: Treasury stock	-
Line 25	Net stockholders' equity	<u>(26,913,004)</u>
Line 26	TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u>\$ 12,694,406</u>
Line 19A	No. of Preferred shares outstanding	-
Line 20A	No. of Common shares outstanding	-

Bank of America

BOSTON - MAINE AIRWAYS CORP

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Page 3 of 20
 Statement Period
 06/01/05 through 06/30/05
 EOD P PC OC
 Enclosures 589 43
 Account Number 0094 2313 97

Report Account

Full Analysis Business Checking

BOSTON - MAINE AIRWAYS CORP

Your Account at a Glance

Account Number	[Redacted]	Statement Beginning Balance	\$144,175.17
Statement Period	06/01/05 through 06/30/05	Amount of Deposits/Credits	\$3,981,087.86
Number of Deposits/Credits	60	Amount of Withdrawals/Debits	\$3,960,611.11
Number of Withdrawals/Debits	662	Statement Ending Balance	\$174,651.92
Number of Days in Cycle	30	Average Ledger Balance	\$221,164.54
		Service Charge	\$0.00

Deposits and Credits

Date	Customer	Amount (\$)	Description	Bank Reference
Posted	Reference			
06/01		195,257.91		801000770579826
06/01		90,000.00		900006010000000
			[REDACTED]	
06/01		34,275.00		900006010000000
06/01		9,140.51		900006010000000
06/02		65,543.40		900006020000000
06/03		20,000.00		900006030000000
06/06		161,255.56		900006060000000
06/06		83,193.38		801001370758253

BOSTON-MAINE AIRWAYS CORP.
Projected Next Four B-727 Pre-Operating Expenses

<u>Tail Number</u>	<u>Expense Item</u>	<u>Est. Cost</u>
N361 PA	DTA, SSID	7,820
	Lower Lobe Inspection	7200
	A & B Check	\$10,000
	Engine #2	\$75,000
	TAWS, GPS	63,675
	Total for N361 PA	163,695
N369 PA	TAWS, GPS	\$63,675
	Engine #2	\$75,000
	DTA, SSID	7,820
	Total for N369 PA	\$146,495
N346 PA	Balance of C - Check	225,000
N363 PA	Complete	0
	Total Cost for 4 Additional Airplanes	535,190

BOSTON-MAINE AIRWAYS CORP.
Total Working Capital Requirement and Resources
(Addition of Four (4) B-727-200 Aircraft to the Fleet)

Working Capital Requirement

25% of Full-Year Operating Expense (4 th B-727 Aircraft)	\$ 1,458,795	
25% of Full-Year Operating Expense (5 th , 6 th and 7 th B-727 Aircraft)	3,314,050	
Projected Unpaid Pre-Operating Expense	<u>535,190</u>	
Total Working Capital Requirement		<u>\$ 5,308,035</u>

Working Capital

Net Working Capital on Hand (6/30/05) (current assets less current liabilities)	\$ (1,796,537)	
Working Capital Line of Credit Commitment from Parent Corp.	<u>7,200,000</u>	
Total Working Capital		<u>\$ 5,403,463</u>
Working Capital Surplus		<u>\$ 95,428</u>



BOSTON & MAINE CORPORATION
MAINE CENTRAL RAILROAD COMPANY
SPRINGFIELD TERMINAL RAILWAY COMPANY

Exhibit BMA-S/15-104

IRON HORSE PARK
NO. BILLERICA, MASS. 01862

August 1, 2005

Mr. Eric H. Lawler
Senior Vice President and
Chief Financial Officer
BOSTON-MAINE AIRWAYS CORP.
14 Aviation Avenue
Portsmouth, NH 03801


Dear Mr. Lawler:

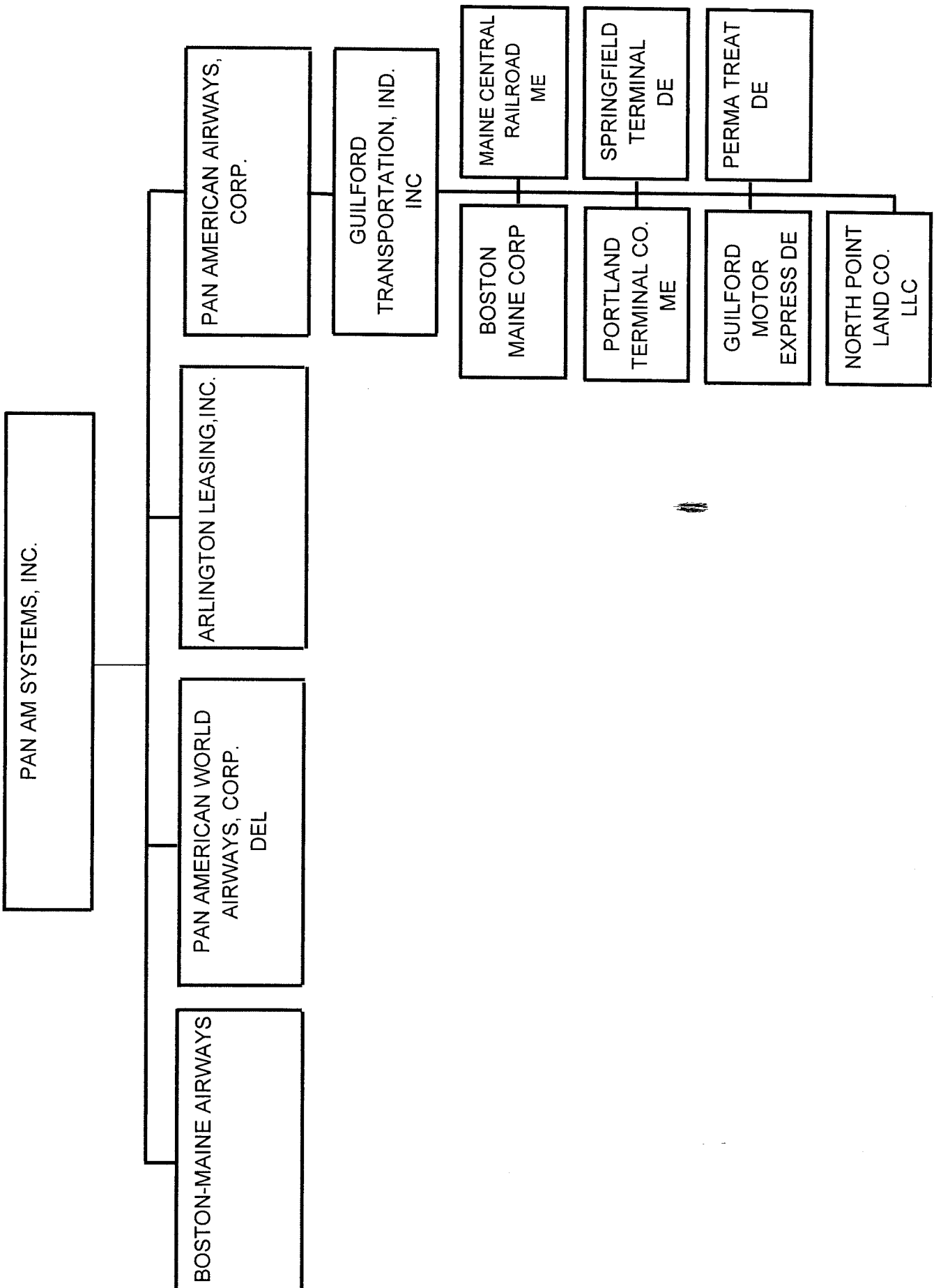
As we have discussed, I understand that Boston-Maine, which has a pending application for expanded large-aircraft authority before the U.S. Department of Transportation, is required to have and maintain on hand, or have on-demand access to, an amount of working capital sufficient to satisfy the DOT's financial fitness test applicable to Boston-Maine's first year of operations pursuant to that expanded authority. I understand further that the amount of additional working capital required by Boston-Maine, over and above its current net working capital, is approximately \$7,200,000.

The purpose of this letter is to confirm to you, and to the DOT, that Boston-Maine's affiliated company, Springfield Terminal Railway Company ("ST"), of which I am the Chief Executive Officer and a director, is prepared and willing to lend up to a total of \$7,200,000 to Boston-Maine, upon request by Boston-Maine to ST, during a period of not less than one year, beginning on the date that Boston-Maine receives authority from the DOT to operate a total of seven (7) B-727-200 aircraft in interstate and foreign scheduled and charter operations, and ending on the date at which Boston-Maine has completed one full year of such expanded operations.

In the near future, we will memorialize the foregoing commitment, and its terms and conditions, in a formal Irrevocable Standby Letter Of Credit Agreement between ST and Boston-Maine.

Sincerely,


David A. Fink
Chief Executive Officer



CREDIT LINE AGREEMENT

THIS CREDIT LINE AGREEMENT, dated this 1st day of August, 2005, is between Boston-Maine Airways Corp., a New Hampshire corporation having a mailing address of 14 Aviation Avenue, Portsmouth, New Hampshire 03801 (the "Borrower") and Springfield Terminal Railway Company, a Vermont corporation having a mailing address of Iron Horse Park, North Billerica, Massachusetts 01862 ("Lender").

Reference is made to the following facts:

A. The Borrower has requested that the Lender extend credit to the Borrower in the form of a revolving line of credit in the amount of \$7,200,000.00 and the Lender is willing to establish such credit on the terms and subject to the conditions hereinafter set forth.

B. As consideration for the Lender to establish the credit hereunder and to make the advances under the line of credit, the Borrower is willing to undertake the various agreements, covenants and representations contained herein.

NOW, THEREFORE, the parties hereto, in consideration of the premises and the mutual covenants hereinafter set forth and intending to be legally bound hereby, agree as follows:

ARTICLE I

AMOUNT AND TERMS OF CREDIT FACILITY

1.1 Credit Facility.

(a). **Loans.** Subject to the terms and conditions hereof and relying upon the representations and warranties and covenants set forth herein, the Lender hereby establishes a revolving line of credit in favor of the Borrower in the aggregate principal amount of up to Seven Million Two Hundred Thousand Dollars (\$7,200,000) and agrees to make and remake one or more revolving loans to the Borrower. Borrower may borrow from time to time from the Lender such amounts (individually, a "Loan" and collectively, the "Loans") as the Borrower may request, provided that the aggregate principal amount outstanding at any one time shall not exceed Seven Million Two Hundred Thousand Dollars (\$7,200,000). Within such limits, the Borrower may from time to time borrow, prepay without penalty, except as required under Section 2.7 of the Agreement, and reborrow in accordance with the provisions of this Agreement. The Loans (i) shall bear interest as provided in Section 1.2. (ii) may be repaid and reborrowed in accordance with the terms hereof, (iii) shall be payable in full at the Maturity Date, and (iv) shall be evidenced by one or more promissory notes of the Borrower payable to the order of the Lender.

(b). **Requests for Advances.** An Authorized Representative of the Borrower shall give written or oral notice to the Lender of each such Loan period in advance of the Loan, not exceeding two (2) Business Days, as the Lender may from time to time

require. The notice shall specify the amount and date (which shall be a Business Day) of each Loan (the "Closing Date"). Any oral notice permitted by the Lender shall be promptly confirmed by the Borrower in writing. The Lender shall make the Loan to the Borrower on the date specified in immediately available funds.

(c). **Promissory Note**. On the Closing Date, the Borrower shall execute and deliver to the Lender a Note payable to the order of the Lender for the full amount of the Loan. The amount of principal owing on the Note at any given time shall be the aggregate amount of all advances made under subsection 1.1 (a) above, plus interest and less all payments of principal theretofore paid by the Borrower.

1.2 **Interest**.

(a). **General**. The Borrower shall pay interest on all outstanding principal amounts hereunder and evidenced by the Note at the rate and manner provided below. The Note shall bear interest until paid in full at the Note Rate in effect from time to time from the Closing Date. Interest shall be payable on the applicable Interest Payment Dates. Interest on all Loans shall be calculated on the basis of the actual number of days elapsed over a year of 360 days. Interest on overdue amounts shall accrue and be paid at a rate equal to the Note Rate plus two and one half percent, payable on demand.

(b). **Monthly Interest Payments**. The unpaid principal sum for each Loan from time to time outstanding shall bear interest at a rate of Ten Percent (10%) per annum (the "Note Rate").

1.3 **Rights in Property Held by the Lender**. As security for the prompt satisfaction of Obligations, the Borrower hereby assigns, transfers and sets over to the Lender all of its right, title and interest in and to, and grants the Lender a lien on a security interest in, all amounts that may be owing from time to time by the Lender to the Borrower or any of its Affiliates in any capacity, in addition to any right of set-off that the Lender has under this Agreement or otherwise.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1 **Representations and Warranties of the Borrower**. The Borrower represents and warrants as follows:

a. **Corporate/Partnership Existence Power**. Boston-Maine Airways Corp. is a corporation duly incorporated and valid existing under the laws of the State of New Hampshire and is properly licensed and in good standing in every jurisdiction in which it is doing business.

b. **Corporate Authority**. The execution, delivery and performance by the Borrower

of this Agreement is within the Borrower's corporate powers, has been duly authorized by all necessary corporate action, and does not, and will not, contravene, violate, conflict with, or constitute a default under (i) any provision of the certificate of incorporation or bylaws, of the Borrower or other documents of internal governance of the Borrower, (ii) any law or order or (iii) any contractual restriction binding on or affecting the Borrower, and do not result in or require the creation of any lien, security interest or other charge or encumbrance (except as provided in or contemplated by this Agreement) upon or with respect to any of its properties.

- c. **No Governmental Approvals.** No authorization or approval or other action by, and no notice to or filing with any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Agreement.
- d. **Binding Effect.** This Agreement is the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles relating to creditors' rights generally.
- e. **Litigation.** There is no pending or, to the best knowledge of the Borrower, threatened action, investigation or proceeding before any court, governmental agency or arbitrator against or affecting the Borrower which may materially adversely affect the financial condition or operations of the Borrower or the ability of the Borrower to perform its obligations hereunder or which purports to affect the legality, validity or enforceability of this Agreement.
- f. **Taxes.** The Borrower has filed all United States federal income tax returns and all other federal, state and local tax returns which are required to be filed by it and has paid all taxes due pursuant to such returns or pursuant to any assessments received by the Borrower.
- g. **Compliance with Applicable Laws.** The Borrower has all necessary franchises, Permits, licenses and other rights to allow it to conduct its business as presently conducted and to own its properties, and is not in default in any respect which would have a materially adverse affect on the financial position, business or properties of the Borrower, under any judgment, order or decree of any court or governmental authority or under the provisions of any agreement to which it is a party or by which it or its property may be bound. To the best of the Borrower's knowledge, the Borrower is complying with all applicable statutes and regulations of each governmental authority having jurisdiction over it or its business.

ARTICLE III

COVENANTS

3.1 **Affirmative Covenants of the Borrower.** From the date hereof and at all times until the Loans, together with interest thereon, are repaid in full and all other Obligations are satisfied in full, the Borrower will, unless the Lender shall otherwise consent in advance in writing:

- a. **Maintenance of Insurance.** Maintain insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower operates. The Borrower will deliver to the Lender certificates of insurance or copies of policies of insurance required to be carried by or on behalf of the Borrower pursuant hereto with appropriate endorsements designating the Lender, as an additional insured or a loss payee, as the case may be, and cause each such policy of insurance to contain a notice of cancellation provision satisfactory to the Lender and in accordance with insurance industry practice.
- b. **Preservation of Existence, Etc.** Preserve and maintain its corporate existence, rights and franchises in good standing and not dissolve or otherwise discontinue its existence or operations and maintain its current ownership structure.
- c. **Compliance with Laws, Etc.** Comply with the requirements of all applicable laws, rules, regulations and orders of any governmental or regulatory authority, non-compliance with which would materially adversely affect the Borrowers' business or credit or properties.
- d. **Examination Rights.** At any reasonable time and from time to time, permit the Lender or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and to discuss the affairs, finances and accounts of the Borrower and its business and properties.
- e. **Keeping of Books.** Keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower in accordance with generally accepted accounting principles consistently applied.
- f. **Maintenance of Properties, Etc.** Maintain and preserve all of its properties which are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.
- g. **Performance and Compliance with Other Covenants.** Pay, perform and comply with each of the terms, covenants and conditions set forth in this Agreement.
- h. **Payment of Taxes, Etc.** Pay and discharge, before the same shall become

delinquent and before interest starts to accrue, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property, and (ii) all lawful claims which, if unpaid, might by law become a lien upon its property.

- i. **Payment of Expenses.** Pay all expenses in connection with the negotiation, Preparation, execution, administration, amendment or enforcement of this Agreement (whether or not the Loan is made) and the making, collection and issue of the Loan, including without limitation, the reasonable fees and disbursements of counsel for the Lender.
 - j. **Release or Disposal of Hazardous Substances.** If the presence or release of any Hazardous Substances by the Borrower or at or from any property owned, occupied or operated by the Borrower has resulted in contamination or deterioration of any portion of such property or any other affected property resulting in a level of contamination greater than the levels permitted or established by any governmental agency having jurisdiction, then the Borrower shall promptly take any and all action necessary to remove, clean up or otherwise properly dispose of such contamination to the extent required by any governmental authority having jurisdiction or as a condition to the issuance or continuing effectiveness of any governmental approval or any insurance policy that relates to the Borrower or its properties or the property contaminated.
 - k. **Indemnification for Hazardous Waste.** To the fullest extent permissible according law, without limiting any other rights or remedies of the Lender, the Borrower unconditionally, absolutely and irrevocably agrees to defend, hold harmless and indemnify the Lender and its officers, employees, agents and contractors against all damages (including consequential damages), claims, costs, losses, liabilities and expenses, including attorneys' fees and costs, suffered or incurred by the Bank due to the existence at any time of any Hazardous Substances at any property owned, occupied or operated by the Borrower or by any other person for whose conduct the Borrower is responsible, or due to any acts or omissions of the Borrower relating to Hazardous Substances, including without limitation, any such claims, costs, losses, liabilities, and expenses arising from the violation of any Hazardous Materials Laws, or the institution of any action by any party against the Borrower or any property owned, occupied or operated by the Borrower based upon nuisance, negligence or other tort theory alleging liability due to the improper generation, storage, disposal, removal, transportation or treatment of Hazardous Substances, or the imposition by any local, state or federal government or governmental agency, department, or authority of a lien, attachment or other encumbrance on any property owned, occupied or operated by the Borrower or by any other person whose conduct the Borrower is responsible.
- 3.2 **Negative Covenants.** From the date hereof and at all times until the Loans, together with all interest thereon, are repaid in full and all other Obligations are satisfied in full, the Borrower will not without the prior written consent of the Lender:

- a. **Liens, Etc.** Sell or factor any of its accounts receivable or create, incur, assume or suffer to exist, any lien, security interest or other charge or encumbrance, or any other type of preferential arrangement, upon or with respect to any of its properties, whether now owned or hereafter acquired, or assign, any right to receive income, in each case to secure any debt of any person or entity other than liens to the Lender contemplated under this Agreement.
- b. **Sales, Etc. of Assets.** Sell, transfer, lease or otherwise dispose of any of its assets except in the ordinary course of business.
- c. **Mergers, Sales, Etc.** Merge with or into or consolidate with or into, or sell, convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any person.
- d. **Restrictions on Distributions.** Declare or pay any dividend (except dividends payable solely in its own capital stock) on, or make any other distribution on, or purchase, redeem, retire or otherwise acquire, directly or indirectly, any shares of its stock, or make any distribution of cash, property or assets among the holders of shares of its stock, or make any material change in its capital structure.
- e. **Loans and Investments.** Acquire or retain obligations or stock of, or any other interest in, or make any loan or advance to, or investment in, any person other than (i) direct obligations of or obligations guaranteed by the United States of America or any agency thereof maturing not more than one year from the date of issue thereof, or (ii) certificates of deposit, commercial paper, repurchase agreements or other money market instruments maturing not more than one year from the date of issue thereof, or (iii) interest bearing accounts in a bank commercial paper rated at least A-1, P-1 or the equivalent by any nationally recognized rating agency maturing not more than one year from the date of issue thereof.

ARTICLE IV EVENTS OF DEFAULT

- 4.1 **Events of Default.** An Event of Default (an “Event of Default”) shall mean the occurrence of one or more of the following described events which is not cured within any applicable period of grace or cure:
- a. the Borrower shall fail to make a payment of principal or interest under the Note when due and a ten (10) day grace period shall have expired;
 - b. any representation or warranty made, or deemed made, by or on behalf of the Borrower (including by any of its officers or directors) herein or by or on behalf of the Borrower (including by any of its officers or directors) in writing in connection with this Agreement shall prove to have been incorrect in any material respect when made or deemed to made;
 - c. the Borrower shall fail to pay, perform or observe any other terms, covenant,

- obligation or agreement contained in this Agreement on its part to be performed or observed or if the Borrower shall have notified the Lender of such failure, such failure shall remain unremedied for thirty (30) days (except where a period of grace is specifically otherwise provided or negated, in which case such specific periods of time or negation shall govern), provided, however if such failure is not capable of being remedied within such thirty (30) day period, such grace period shall be extended for a reasonable period of time (not to exceed forty-five (45) days) provided Borrower shall commence and diligently take such actions as are necessary to effect such cure;
- d. any material provision of this Agreement shall, at any time for any reason, cease to be valid and binding on the Borrower or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Borrower or a proceeding shall be commenced by any governmental agency or authority having jurisdiction over the Borrower seeking to establish the invalidity or unenforceability thereof, or the Borrower, shall deny that it has any or further liability or obligation under this Agreement or any other Loan Document;
 - e. a proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the Borrower, in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar officials) of the Borrower, or for any part of its assets, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of forty-five (45) days or such court shall enter a decree or order granting the relief sought in such proceeding; or

4.2 Consequences of Events of Default.

- a. If an Event of Default of Section 4.1 shall occur and the continuing then the Lender shall not be obligated to make any further Loans hereunder, the Lender shall have the right to terminate the credit and the Lender may, by notice to the Borrower, declare the unpaid principal amount of the Note and interest accrued thereon and all other liabilities of the Borrower hereunder and thereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived.
- b. If any Event of Default specified in Section 4.1 shall occur, the Lender may exercise all rights and remedies contained in any of the Loan Documents subject to the express terms, conditions, and limitations thereof and shall also have available


to it all rights and remedies at law or in equity, all of which may be exercised cumulatively.

ARTICLE V MISCELLANEOUS

- 5.1 **No Implied Waiver: Cumulative Remedies; Writing Required.** No delay or failure of the Lender in exercising any right, power or privilege hereunder shall affect such right, power or privilege, nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power or privilege preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies of the Lender hereunder are cumulative and not exclusive of any rights or remedies which it would otherwise have. Any waiver, permit, consent or approval of any kind or character on the part of the Lender of any breach or default under this Agreement, or any such waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent in such writing specifically set forth.
- 5.2 **Notices.** All notices and other communications provided for hereunder shall be in writing (including required copies) and sent by receipted hand delivery (including Federal Express or other receipted courier services), telecopy, telex or regular mail, if to the Borrower, at its mailing address set forth in the initial paragraph of this Agreement and if to the Lender, at its mailing address set forth in the initial paragraph of this Agreement, or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and communications shall, when delivered, telecopied or telexed, be effective when deposited with the courier or telexed, respectively, addressed as aforesaid.

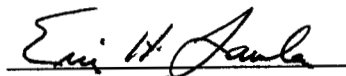
In witness whereof, the parties have executed this agreement this 1st day of August, 2005.

**SPRINGFIELD TERMINAL
RAILWAY COMPANY**



David A. Fink
Chief Executive Officer

**BOSTON-MAINE
AIRWAYS, CORP.**



Eric H. Lawler
Chief Financial Officer

BEFORE THE
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Application of

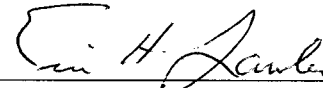
BOSTON-MAINE AIRWAYS CORP.

for issuance of a certificate of public convenience and
necessity pursuant to 49 U.S.C. § 41102
(Interstate Large-Aircraft Operations)

Docket OST-00-7668

CERTIFICATION

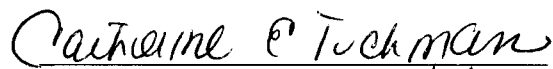
Pursuant to Title 18 United States Code Section 1001, I, Eric H. Lawler, in my individual capacity and as Senior Vice President and Chief Financial Officer of the applicant in the captioned proceeding, have not in any manner knowingly and willfully falsified, concealed or failed to disclose any material fact or made any false, fictitious, or fraudulent statement or knowingly used any documents which contain such statements in connection with the preparation, filing or prosecution of this submission. This certification is limited to factual statements and documents pertaining to financial information and statements, and future cost and revenue projections, submitted on behalf of the applicant in the captioned proceeding. I understand that an individual who is found to have violated the provisions of 18 U.S.C. 1001 may be fined not more than \$10,000 or imprisoned not more than five years, or both.



Eric H. Lawler

State of New Hampshire)
County of Rockingham)

Subscribed and sworn to before me this 1 day of August, 2005.


Notary Public 10/10/04

BEFORE THE
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Application of

BOSTON-MAINE AIRWAYS CORP.

for issuance of a certificate of public convenience and
necessity pursuant to 49 U.S.C. § 41102
(Interstate Large-Aircraft Operations)

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Docket OST-00-7668

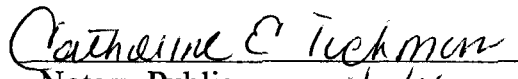
CERTIFICATION

Pursuant to Title 18 United States Code Section 1001, I, Robert B. Culliford, in my individual capacity and as Senior Vice President and General Counsel of the applicant in the captioned proceeding, have not in any manner knowingly and willfully falsified, concealed or failed to disclose any material fact or made any false, fictitious, or fraudulent statement or knowingly used any documents which contain such statements in connection with the preparation, filing or prosecution of this submission. This certification is limited to factual statements and documents other than factual statements and documents related to financial statements and cost projections submitted on behalf of the applicant in the captioned proceeding, which are being concurrently verified by the applicant's Chief Financial Officer. I understand that an individual who is found to have violated the provisions of 18 U.S.C. 1001 may be fined not more than \$10,000 or imprisoned not more than five years, or both.


Robert B. Culliford

State of New Hampshire)
County of Rockingham)

Subscribed and sworn to before me this 1 day of August, 2005.


Notary Public 10/10/06